

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2005

KATHY AUGUSTINE
STATE CONTROLLER
CARSON CITY, NEVADA

STATE OF NEVADA
PERMANENT SCHOOL FUND

Table of Contents

	<u>Page</u>
Balance Sheets - Exhibit A	1
Statements of Revenues, Expenditures, and Changes in Fund Balances - Exhibit B	2
General Description of Fund and Revenue Sources	3
Summary of Significant Accounting Policies and Notes to Financial Statements	4
Schedule of Investments - Schedule 1	5
Schedule of Justice Court Fines by County - Schedule 2	6
Schedule of District Court Fines by County - Schedule 3	7
Schedule of Investment Income Earned - Schedule 4	8

STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2005 and 2004

	<u>09/30/05</u>	<u>09/30/04</u>
		Exhibit A
Assets		
Cash and cash equivalents	\$ 9,639,153	\$ 8,896,023
Accrued interest		
Investments	1,486,595	1,086,121
Treasurer	236,491	36,348
Total accrued interest	<u>1,723,086</u>	<u>1,122,469</u>
Receivables		
Fines and penalties	486,422	412,654
Purchased interest	175,062	28,089
Total receivables	<u>661,484</u>	<u>440,743</u>
Investments		
U.S. Government securities	<u>209,496,701</u>	<u>137,962,626</u>
Total Assets	<u><u>\$ 221,520,424</u></u>	<u><u>\$ 148,421,861</u></u>
Liabilities		
Due the Distributive School Account	\$ 830,259	\$ 3,937,227
Due to heirs	656,668	786,871
Deferred Revenue	<u>-</u>	<u>20,016</u>
Total liabilities	<u>1,486,927</u>	<u>4,744,114</u>
Fund balances		
Reserved: Permanent Fund Principal	<u>220,033,497</u>	<u>143,677,747</u>
Total Liabilities and Fund Balances	<u><u>\$ 221,520,424</u></u>	<u><u>\$ 148,421,861</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA

PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarters Ended September 30, 2005 and 2004

	<u>Quarter Ended 9/30/2005</u>	<u>Exhibit B Quarter Ended 9/30/2004</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,076,033	\$ 946,667
District Courts	144,302	143,355
Other Fines and Penalties	<u>-</u>	<u>35,000</u>
Total fines	1,220,335	1,125,022
Investment income (loss)	(108,597)	2,520,691
Land sales	31,940,531	240,500
Escheated estates	(23,213)	(42,301)
Miscellaneous	<u>1,333</u>	<u>774</u>
Total revenues	<u>33,030,389</u>	<u>3,844,686</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>108,597</u>	<u>(2,520,691)</u>
Net change in fund balances	33,138,986	1,323,995
Fund balances, beginning of period	<u>186,894,511</u>	<u>142,353,752</u>
Fund balances, September 30	<u>\$ 220,033,497</u>	<u>\$ 143,677,747</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. Bond guarantees at September 30, 2005 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	6,625,000
Douglas	April 1, 1998	8,710,000	8,220,000
Nye	April 1, 1999	17,545,000	11,940,000
Churchill	August 1, 2000	3,655,000	3,550,000
Carson City	February 1, 2001	9,000,000	3,950,000
Lyon	February 1, 2001	12,000,000	2,490,000
Mineral	June 1, 2001	4,425,000	4,235,000
Churchill	December 1, 2001	4,565,000	2,950,000
Carson City	February 1, 2002	9,000,000	4,425,000
Nye	February 1, 2002	2,950,000	2,950,000
Lyon	May 1, 2002	13,000,000	7,025,000
Nye	September 1, 2002	2,325,000	2,325,000
Lincoln	December 15, 2002	2,925,000	2,835,000
Carson City	February 1, 2003	3,750,000	3,350,000
Churchill	February 1, 2003	6,405,000	5,035,000
Douglas	February 1, 2003	5,750,000	4,950,000
Humboldt	February 1, 2003	5,075,000	3,970,000
Pershing	February 1, 2003	5,135,000	3,995,000
Washoe	January 1, 2004	11,820,000	9,585,000
Eureka	January 27, 2005	6,000,000	6,000,000
Storey	April 12, 2005	4,300,000	4,300,000
Carson City	August 16, 2005	9,968,000	9,968,000
Nye	August 24, 2005	7,355,000	7,355,000

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended September 30, 2005, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$28,454,937. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended September 30, 2005, funds held by the State Treasurer earned interest at an effective rate of 3.32 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
September 30, 2005

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	6.000	06/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,403,100
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,812,500
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,734,400
Fed. Farm Credit Bank	1.840	07/07/06	5,000,000	4,910,000	4,939,050
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,742,480
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,910,000
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,025,350
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,834,400
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,701,674
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,526,335
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,948,400
Fed. Home Loan Bank Note	5.125	03/06/06	9,000,000	8,839,080	9,042,210
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	3,998,760
Fed. Home Loan Bank Note	2.050	06/22/06	6,500,000	6,401,590	6,396,390
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,650,690
Fed. Home Loan Bank Note	2.625	02/17/07	6,100,000	6,117,690	5,947,500
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,896,900
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,439,392
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,851,250
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,276,590
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,946,998
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,845,690
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,988,632
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,840,650
US Treasury Notes	2.000	05/15/06	4,000,000	4,038,750	3,950,800
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,846,560
Total Investments			<u>\$ 212,250,000</u>	<u>\$ 210,193,691</u>	<u>\$ 209,496,701</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarters Ended September 30, 2005 and 2004

County	<u>Schedule 2</u>	
	Quarter Ended 9/30/2005	Quarter Ended 9/30/2004
Carson City	\$ 4,415	\$ 6,281
Churchill	18,708	17,799
Clark	527,382	352,371
Douglas	9,929	35,169
Elko	33,881	40,381
Esmeralda	6,089	6,048
Eureka	5,404	3,823
Humboldt	-	-
Lander	2,135	1,196
Lincoln	2,223	2,307
Lyon	23,977	22,040
Mineral	-	40
Nye	71,618	74,058
Pershing	665	1,251
Storey	-	-
Washoe	365,617	380,618
White Pine	3,990	3,285
Total	\$ 1,076,033	\$ 946,667

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarters Ended September 30, 2005 and 2004

County	<u>Schedule 3</u>	
	Quarter Ended 9/30/2005	Quarter Ended 9/30/2004
Carson City	\$ 1,492	\$ 5,060
Churchill	5,786	2,688
Clark	81,696	84,640
Douglas	3,350	5,122
Elko	12,191	8,203
Esmeralda	-	-
Eureka	500	-
Humboldt	500	1,069
Lander	325	695
Lincoln	420	125
Lyon	1,115	1,845
Mineral	2,140	295
Nye	2,927	1,990
Pershing	120	285
Storey	-	-
Washoe	29,240	27,412
White Pine	2,500	3,926
Total	<u>\$ 144,302</u>	<u>\$ 143,355</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended September 30, 2005

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed Farm Credit Bank	6.000	10,000,000	150,000
Fed Farm Credit Bank	2.700	10,000,000	67,500
Fed Farm Credit Bank	3.375	10,000,000	84,375
Fed Farm Credit Bank	1.840	5,000,000	23,000
Fed Farm Credit Bank	2.150	8,000,000	43,000
Fed Farm Credit Bank	3.500	6,000,000	52,500
Fed Farm Credit Bank	3.300	7,300,000	60,225
Fed Farm Credit Bank	4.180	10,000,000	104,500
Fed Farm Credit Bank	3.300	10,000,000	82,500
Fed Farm Credit Bank	3.850	7,675,000	69,768
Fed. Home Loan Bank Note	5.125	9,000,000	115,313
Fed. Home Loan Bank Note	4.875	5,600,000	34,125
Fed. Home Loan Bank Note	3.880	4,000,000	38,800
Fed. Home Loan Bank Note	2.050	6,500,000	33,312
Fed. Home Loan Bank Note	4.000	13,000,000	130,000
Fed. Home Loan Bank Note	2.625	6,100,000	40,031
Fed. Home Loan Bank Note	4.125	10,000,000	103,125
Fed. Home Loan Bank Note	3.845	6,525,000	62,025
Fed. Home Loan Bank Note	4.000	7,000,000	76,222
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	40,625
US Treasury Notes	2.000	4,000,000	20,000
US Treasury Notes	2.625	4,000,000	26,250
Total interest on investments			<u>1,660,974</u>
Treasurer's interest distribution			<u>236,491</u>
Total interest			<u>1,897,465</u>
Change in fair value of investments			<u>(2,006,062)</u>
Total investment income (loss) for the quarter ended September 30, 2005			<u><u>(108,597)</u></u>